

IOWA VALLEY COMMUNITY SCHOOL DISTRICT  
MARENGO, IOWA

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2007

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# IOWA VALLEY COMMUNITY SCHOOL DISTRICT

## OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2006 Election)		
Don Cronbaugh	President	2008
Michael Smith	Vice President	2006
Jane Fry	Board Member	2006
Judith Huxford	Board Member	2007
Kenneth Caes	Board Member	2008
<u>Board of Education</u>		
(After September 2006 Election)		
Don Cronbaugh	President	2008
Jane Fry	Vice President	2009
Judith Huxford	Board Member	2007
Kenneth Caes	Board Member	2008
Janet Findlater	Board Member	2009
<u>School Officials</u>		
Laurene A. Lanich	Superintendent	2010
Lynda K. Johnson	District Secretary/Treasurer	2007
Harned & McMeen	Attorney	2007

## INDEPENDENT AUDITOR'S REPORT

To the Board of Education of  
Iowa Valley Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Iowa Valley Community School District, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Iowa Valley Community School District at June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 24, 2007 on our consideration of Iowa Valley Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The budgetary comparison information on pages 40 through 41 are not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The District has not presented management's discussion and analysis which introduces the basic financial statements by presenting certain financial information as well as management's analytical insights on that information that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Iowa Valley Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa  
December 24, 2007

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## Basic Financial Statements

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2007

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 292,756	\$ 3,045	\$ 295,801
Receivables:			
Property tax:			
Current year	50,377	-	50,377
Succeeding year	1,999,115	-	1,999,115
Income surtax	375,090	-	375,090
Interfund receivable (payable) (note 3)	11,134	(11,134)	-
Accounts	33,086	-	33,086
Due from other governments	224,130	-	224,130
Inventories	-	6,206	6,206
Restricted ISCAP assets (note 5):			
Investments	1,638,841	-	1,638,841
Accrued interest receivable	13,752	-	13,752
Capital assets, net of accumulated depreciation (note 6)	4,246,585	36,358	4,282,943
<b>Total assets</b>	<b>8,884,866</b>	<b>34,475</b>	<b>8,919,341</b>
<b>Liabilities</b>			
Accounts payable	170,287	-	170,287
Salaries and benefits payable	557,833	11,832	569,665
Accrued interest payable	7,955	-	7,955
ISCAP warrants payable (note 5)	1,642,000	-	1,642,000
ISCAP accrued interest payable (note 5)	11,180	-	11,180
ISCAP unamortized premium (note 5)	9,326	-	9,326
Deferred revenue:			
Succeeding year property tax	1,999,115	-	1,999,115
Other	-	2,936	2,936
Long-term liabilities (note 7):			
Portion due within one year:			
Early retirement	20,925	-	20,925
Bonds payable	160,000	-	160,000
Portion due after one year:			
Early retirement	71,325	-	71,325
Bonds payable	2,420,000	-	2,420,000
<b>Total liabilities</b>	<b>7,069,946</b>	<b>14,768</b>	<b>7,084,714</b>



IOWA VALLEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2007

	Governmental Activities	Business-type Activities	Total
Net Assets			
Invested in capital assets, net of related debt	\$ 1,666,585	\$ 36,358	\$ 1,702,943
Restricted for:			
Management levy	8,955	-	8,955
Physical plant and equipment levy	175,057	-	175,057
Other special revenue purposes	126,269	-	126,269
Capital projects	247,712	-	247,712
Unrestricted	(409,658)	(16,651)	(426,309)
Total net assets	\$ <u>1,814,920</u>	\$ <u>19,707</u>	\$ <u>1,834,627</u>

See notes to financial statements.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental Activities:				
Instruction	\$ 3,914,113	\$ 368,259	\$ 391,278	\$ -
Support services:				
Student services	198,377	-	6,142	-
Instructional staff services	144,168	37,389	14,876	-
Administration services	666,748	-	-	-
Operation and maintenance of plant services	419,813	19,528	-	-
Transportation services	183,307	500	519	-
	<u>1,612,413</u>	<u>57,417</u>	<u>21,537</u>	<u>-</u>
Non-instructional programs	<u>4,604</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	21,561	-	-	14,525
Long-term debt interest and fiscal charges	99,727	-	-	-
AEA flowthrough	203,803	-	203,803	-
Depreciation (unallocated) *	117,021	-	-	-
	<u>442,112</u>	<u>-</u>	<u>203,803</u>	<u>14,525</u>
Total governmental activities	5,973,242	425,676	616,618	14,525

Net (Expense) Revenue  
and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ (3,154,576)	\$ -	\$ (3,154,576)
(192,235)	-	(192,235)
(91,903)	-	(91,903)
(666,748)	-	(666,748)
(400,285)	-	(400,285)
(182,288)	-	(182,288)
<u>(1,533,459)</u>	<u>-</u>	<u>(1,533,459)</u>
<u>(4,604)</u>	<u>-</u>	<u>(4,604)</u>
(7,036)	-	(7,036)
(99,727)	-	(99,727)
-	-	-
(117,021)	-	(117,021)
<u>(223,784)</u>	<u>-</u>	<u>(223,784)</u>
<u>(4,916,423)</u>	<u>-</u>	<u>(4,916,423)</u>

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Business-Type Activities:				
Support services:				
Food service operations	\$ 5,620	\$ -	\$ -	\$ -
Non-instructional programs:				
Food service operations	254,229	158,433	91,354	30,417
Other enterprise operations	45,116	18,282	15,700	-
	299,345	176,715	107,054	30,417
Total business-type activities	304,965	176,715	107,054	30,417
Total	\$ 6,278,207	\$ 602,391	\$ 723,672	\$ 44,942

General Revenues:

Property tax levied for:

    General purposes

    Debt service

    Capital outlay

Income surtax

Local option sales and services tax

Unrestricted state grants

Unrestricted investment earnings

Other

Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year

\* = This amount excludes the depreciation included in the direct expenses of the various programs.

See notes to financial statements.

Net (Expense) Revenue  
and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ -	\$ (5,620)	\$ (5,620)
-	25,975	25,975
-	(11,134)	(11,134)
-	14,841	14,841
-	9,221	9,221
(4,916,423)	9,221	(4,907,202)
\$ 1,842,657	\$ -	\$ 1,842,657
98,429	-	98,429
52,610	-	52,610
352,851	-	352,851
371,034	-	371,034
2,654,572	-	2,654,572
81,681	479	82,160
98,755	-	98,755
5,552,589	479	5,553,068
636,166	9,700	645,866
1,178,754	10,007	1,188,761
\$ 1,814,920	\$ 19,707	\$ 1,834,627

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2007

	General	Nonmajor Governmental Funds	Total Governmental Funds
Assets			
Cash and pooled investments	\$ 12,467	\$ 438,919	\$ 451,386
Receivables:			
Property tax:			
Current year	42,212	8,165	50,377
Succeeding year	1,670,453	328,662	1,999,115
Income surtax	220,641	154,449	375,090
Interfund receivable (note 3)	-	11,134	11,134
Accounts	32,786	300	33,086
Due from other governments	162,904	61,226	224,130
Restricted ISCAP assets (note 5):			
Investments	1,638,841	-	1,638,841
Accrued interest receivable	13,752	-	13,752
Total assets	\$ <u>3,794,056</u>	\$ <u>1,002,855</u>	\$ <u>4,796,911</u>

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2007

	General	Nonmajor Governmental Funds	Total Governmental Funds
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
Excess of warrants issued over bank balance	\$ 164,237	\$ -	\$ 164,237
Accounts payable	148,822	21,465	170,287
Salaries and benefits payable	557,833	-	557,833
ISCAP warrants payable (note 5)	1,642,000	-	1,642,000
ISCAP accrued interest payable (note 5)	11,180	-	11,180
ISCAP unamortized premium (note 5)	9,326	-	9,326
Deferred revenue:			
Succeeding year property tax	1,670,453	328,662	1,999,115
Other	223,297	154,449	377,746
Total liabilities	<u>4,427,148</u>	<u>504,576</u>	<u>4,931,724</u>
<b>Fund balance:</b>			
Reserved for:			
State grants	179,433	-	179,433
Debt service	-	2,485	2,485
Unreserved:			
Reported in nonmajor Special Revenue Funds	-	248,082	248,082
Undesignated	(812,525)	247,712	(564,813)
Total fund balances	<u>(633,092)</u>	<u>498,279</u>	<u>(134,813)</u>
Total liabilities and fund balances	<u>\$ 3,794,056</u>	<u>\$ 1,002,855</u>	<u>\$ 4,796,911</u>

See notes to financial statements.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 June 30, 2007

Total fund balances of governmental funds	\$ (134,813)
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	4,246,585
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	377,746
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(7,955)
The balance of the Internal Service Fund, reported as a proprietary fund, is included in the government-wide statements because of the relationship of the internal transactions to the government as a whole.	(2,672,250)
Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>5,607</u>
Net assets of governmental activities	<u><u>\$ 1,814,920</u></u>

See notes to financial statements.



IOWA VALLEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2007

	General	Nonmajor Governmental Funds	Total
Revenues:			
Local sources:			
Local tax	\$ 1,841,140	\$ 831,833	\$ 2,672,973
Tuition	159,160	-	159,160
Other	194,041	251,861	445,902
State sources	3,145,727	244	3,145,971
Federal sources	124,075	14,525	138,600
Total revenues	<u>5,464,143</u>	<u>1,098,463</u>	<u>6,562,606</u>
Expenditures:			
Current:			
Instruction	<u>3,690,285</u>	<u>270,606</u>	<u>3,960,891</u>
Support services:			
Student services	198,307	70	198,377
Instructional staff services	109,912	34,256	144,168
Administration services	646,145	12,705	658,850
Operation and maintenance of plant services	386,777	45,101	431,878
Transportation services	154,014	78,520	232,534
	<u>1,495,155</u>	<u>170,652</u>	<u>1,665,807</u>
Non-instructional programs	<u>-</u>	<u>4,604</u>	<u>4,604</u>
Other expenditures:			
Facilities acquisition	-	228,212	228,212
Long term debt:			
Principal	-	155,000	155,000
Interest and fiscal charges	-	100,115	100,115
AEA flowthrough	203,803	-	203,803
	<u>203,803</u>	<u>483,327</u>	<u>687,130</u>
Total expenditures	<u>5,389,243</u>	<u>929,189</u>	<u>6,318,432</u>
Excess (deficiency) of revenues over (under) expenditures	<u>74,900</u>	<u>169,274</u>	<u>244,174</u>

IOWA VALLEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2007

	General	Nonmajor Governmental Funds	Total
Other financing sources (uses):			
Sale of equipment	\$ 1,050	\$ -	\$ 1,050
Interfund transfers in (note 4)	-	157,500	157,500
Interfund transfers out (note 4)	-	(157,500)	(157,500)
Total other financing sources (uses)	<u>1,050</u>	<u>-</u>	<u>1,050</u>
Net change in fund balances	75,950	169,274	245,224
Fund balances beginning of year	<u>(709,042)</u>	<u>329,005</u>	<u>(380,037)</u>
Fund balances end of year	<u><u>\$ (633,092)</u></u>	<u><u>\$ 498,279</u></u>	<u><u>\$ (134,813)</u></u>

See notes to financial statements.

## IOWA VALLEY COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2007

Net change in fund balances - total governmental funds \$ 245,224

Amounts reported for governmental activities in the Statement of Activities  
are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Expenditures for capital assets	\$ 304,182	
Depreciation expense	<u>(168,147)</u>	136,035

Income surtax revenue not received until several months after the District's fiscal year ends and grant revenues received but not earned are not considered available revenue in the governmental funds and are deferred. They are, however, recorded as revenue in the Statement of Activities. 45,752

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 155,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 388

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. 53,458

The change in balance of the Internal Service fund represents an overcharge to the governmental funds for services rendered and is therefore included in the government-wide statements as an adjustment to expenses. 309

Change in net assets of governmental activities \$ 636,166

See notes to financial statements.

## IOWA VALLEY COMMUNITY SCHOOL DISTRICT

## STATEMENT OF NET ASSETS

## PROPRIETARY FUND

June 30, 2007

	Enterprise Fund			Internal Service Fund
	School Nutrition	Other Enterprise	Total	Flex 125 Plan
Assets				
Cash and cash equivalents	\$ 3,045	\$ -	\$ 3,045	\$ 5,607
Inventories	6,206	-	6,206	-
Capital assets, net of accumulated depreciation (note 6)	36,358	-	36,358	-
Total assets	<u>45,609</u>	<u>-</u>	<u>45,609</u>	<u>5,607</u>
Liabilities				
Due to other funds	-	11,134	11,134	-
Salaries and benefits payable	11,832	-	11,832	-
Deferred revenue:				
Other	2,936	-	2,936	-
Total liabilities	<u>14,768</u>	<u>11,134</u>	<u>25,902</u>	<u>-</u>
Net Assets				
Invested in capital assets	36,358	-	36,358	-
Unrestricted	<u>(5,517)</u>	<u>(11,134)</u>	<u>(16,651)</u>	<u>5,607</u>
Total net assets	<u>\$ 30,841</u>	<u>\$ (11,134)</u>	<u>\$ 19,707</u>	<u>\$ 5,607</u>

See notes to financial statements.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUND  
Year Ended June 30, 2007

	Enterprise Fund			Internal Service Fund
	School Nutrition	Other Enterprise	Total	Flex 125 Plan
Operating revenues:				
Local sources:				
Charges for services	\$ 158,433	\$ 18,282	\$ 176,715	\$ 15,292
Operating expenses:				
Support services:				
Purchased services	5,620	-	5,620	15,018
Non-instructional programs:				
Salaries	78,279	32,267	110,546	-
Benefits	36,748	10,721	47,469	-
Purchased services	570	84	654	-
Supplies	133,873	2,044	135,917	-
Depreciation	4,759	-	4,759	-
	254,229	45,116	299,345	-
Total expenses	259,849	45,116	304,965	15,018
Operating income (loss)	(101,416)	(26,834)	(128,250)	274
Non-operating revenues:				
Interest on investments	479	-	479	35
State sources	3,200	15,700	18,900	-
Federal sources	88,154	-	88,154	-
Capital contributions	30,417	-	30,417	-
Total non-operating revenues	122,250	15,700	137,950	35
Change in net assets	20,834	(11,134)	9,700	309
Net assets beginning of year	10,007	-	10,007	5,298
Net assets end of year	\$ 30,841	\$ (11,134)	\$ 19,707	\$ 5,607

See notes to financial statements.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
Year Ended June 30, 2007

	Enterprise Fund			Internal Service Fund
	School Nutrition	Other Enterprise	Total	Flex 125 Plan
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 157,765	\$ -	\$ 157,765	\$ -
Cash received from miscellaneous operating activities	335	18,282	18,617	15,292
Cash payments to employees for services	(115,385)	(42,988)	(158,373)	-
Cash payments to suppliers for goods or services	(125,626)	(2,128)	(127,754)	(15,018)
Net cash provided by (used by) operating activities	<u>(82,911)</u>	<u>(26,834)</u>	<u>(109,745)</u>	<u>274</u>
Cash flows from non-capital financing activities:				
Increase in due to other funds	-	11,134	11,134	-
State grants received	3,200	15,700	18,900	-
Federal grants received	71,437	-	71,437	-
Net cash provided by non-capital financing activities	<u>74,637</u>	<u>26,834</u>	<u>101,471</u>	<u>-</u>
Cash flows from investing activities:				
Interest on investments	<u>479</u>	<u>-</u>	<u>479</u>	<u>35</u>
Net increase (decrease) in cash and cash equivalents	(7,795)	-	(7,795)	309
Cash and cash equivalents beginning of year	<u>10,840</u>	<u>-</u>	<u>10,840</u>	<u>5,298</u>
Cash and cash equivalents end of year	<u>\$ 3,045</u>	<u>\$ -</u>	<u>\$ 3,045</u>	<u>\$ 5,607</u>

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
Year Ended June 30, 2007

	Enterprise Fund			Internal Service Fund
	School Nutrition	Other Enterprise	Total	Flex 125 Plan
Reconciliation of operating income (loss) to net cash provided by (used by) operating activities:				
Operating income (loss)	\$ (101,416)	\$ (26,834)	\$ (128,250)	\$ 274
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:				
Depreciation	4,759	-	4,759	-
Commodities used	16,717	-	16,717	-
(Increase) in inventories	(2,280)	-	(2,280)	-
(Decrease) in salaries and benefits payable	(358)	-	(358)	-
(Decrease) in deferred revenues	(333)	-	(333)	-
Net cash provided by (used by) operating activities	\$ <u>(82,911)</u>	\$ <u>(26,834)</u>	\$ <u>(109,745)</u>	\$ <u>274</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2007, the District received \$16,717 of federal commodities. In addition, the Enterprise Fund, School Nutrition received \$30,417 of equipment contributed by the Capital Projects Fund.

See notes to financial statements.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
June 30, 2007

	Private Purpose Trust	Scholarship
Assets:		
Cash and pooled investments	\$ 67,266	
Liabilities:		
None	-	
Net assets:		
Reserved for scholarships/programs	\$ 67,266	
See notes to financial statements.		



IOWA VALLEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
Year Ended June 30, 2007

	Private Purpose Trust
	<u>Scholarship</u>
Additions:	
Local sources:	
Fundraisers and contributions	\$ 48,558
Interest	<u>981</u>
Total additions	<u>49,539</u>
Deductions:	
Support services:	
Supplies	35,371
Scholarships awarded	<u>1,800</u>
	<u>37,171</u>
Change in net assets	12,368
Net assets beginning of year	<u>54,898</u>
Net assets end of year	\$ <u><u>67,266</u></u>
See notes to financial statements.	

# IOWA VALLEY COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2007

### Note 1. Summary of Significant Accounting Policies

Iowa Valley Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Marengo, Iowa, and agricultural territory in Iowa County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

#### A. Reporting Entity

For financial reporting purposes, Iowa Valley Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. Iowa Valley Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Iowa County Assessor's Conference Board.

#### B. Basis of Presentation

District-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental fund:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The District reports the following major proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements with restrictions of income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The District-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

All proprietary funds of the District apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost, and non-negotiable certificates of deposit, which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in Governmental Funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current year property tax receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the District-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2006.

Interfund Receivables/Payables – Certain transactions occur between funds in the normal course of District business. These transactions are shown as interfund receivables and payables to the extent that such transactions have not been repaid by year end.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

# IOWA VALLEY COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2007

### Note 1. Summary of Significant Accounting Policies (continued)

#### D. Assets, Liabilities and Fund Equity (continued)

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the District-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,500
Buildings	2,500
Improvements other than buildings	2,500
Furniture and equipment:	
School Nutrition Fund Equipment	500
Other furniture and equipment	2,500

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-20 years

Salaries and Benefits Payable – Payroll and related expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, the succeeding year property tax receivable, and unearned meal revenues.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied, and unearned meal revenues.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation. A liability is recorded when incurred in the District-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The District had no compensated absences liability at June 30, 2007.

Long-term Liabilities – In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Invested in capital assets, net of related debt – In the District-wide Statement of Net Assets, the net asset balance invested in capital assets, net of related debt is equal to the capital assets balances, including restricted capital assets, less accumulated depreciation and the outstanding balances of any bonds, notes, or other debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Assets – In the District-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, expenditures in the instruction, support services and non-instructional programs functions exceeded the amounts budgeted.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2007 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

# IOWA VALLEY COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2007

### Note 2. Cash and Pooled Investments (continued)

At June 30, 2007, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Money Market Mutual Funds	\$ 17,705
Iowa Schools Joint Investment Trust - Diversified Portfolio	<u>264,151</u>
	<u>\$ 281,856</u>

The investments in the Iowa Schools Joint Investment Trust are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Money Market Mutual Fund is stated at fair value, determined based on securities traded on a national or intentional exchange based on the last reported sales price at current exchange rates.

Credit Risk – The investment in the Iowa Schools Joint Investment Trust was rated Aaa by Moody's Investors Service. The investment in the Money Market Mutual Fund is not rated.

### Note 3. Interfund Receivables/Payables

The detail of the District's interfund receivables and payables at June 30, 2007 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Special Revenue, Management Levy	Enterprise Fund, Preschool	<u>\$ 11,134</u>

These amounts are all due to pooled cash transactions.

### Note 4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Special Revenue: Physical Plant and Equipment Levy	<u>\$ 157,500</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.



# IOWA VALLEY COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2007

### Note 5. Iowa Schools Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. These accounts are reflected as restricted assets on the balance sheet. Bankers Trust Co. N.A. is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2007 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable	Unamortized Premium
2006-07B	1/26/2007	1/25/2008	\$ 580,516	\$ 13,103	\$ 582,000	\$ 10,649	\$ -
2007-08A	6/27/2007	6/27/2008	1,058,325	649	1,060,000	531	9,326
Total			<u>\$ 1,638,841</u>	<u>\$ 13,752</u>	<u>\$ 1,642,000</u>	<u>\$ 11,180</u>	<u>\$ 9,326</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25<sup>th</sup> of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2007 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2006-07A	\$ -	\$ 1,025,000	\$ 1,025,000	\$ -

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 5. Iowa Schools Cash Anticipation Program (ISCAP) (continued)

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

<u>Series</u>	<u>Interest Rates on Warrants</u>	<u>Interest Rates on Investments</u>
2006-07A	4.50%	5.676%
2006-07B	4.25%	5.315%
2007-08A	4.50%	5.455%

Note 6. Capital Assets

Capital assets activity for the year ended June 30, 2007 is as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 253,500	\$ -	\$ -	\$ 253,500
Construction in progress	-	85,275	-	85,275
Total capital assets not being depreciated	<u>253,500</u>	<u>85,275</u>	<u>-</u>	<u>338,775</u>
Capital assets being depreciated:				
Buildings	5,996,768	131,350	-	6,128,118
Improvements other than buildings	342,258	-	-	342,258
Furniture and equipment	738,133	87,557	39,098	786,592
Total capital assets being depreciated	<u>7,077,159</u>	<u>218,907</u>	<u>39,098</u>	<u>7,256,968</u>
Less accumulated depreciation for:				
Buildings	2,401,693	114,784	-	2,516,477
Improvements other than buildings	278,996	10,476	-	289,472
Furniture and equipment	539,420	42,887	39,098	543,209
Total accumulated depreciation	<u>3,220,109</u>	<u>168,147</u>	<u>39,098</u>	<u>3,349,158</u>
Total capital assets being depreciated, net	<u>3,857,050</u>	<u>50,760</u>	<u>-</u>	<u>3,907,810</u>
Governmental activities capital assets, net	<u>\$ 4,110,550</u>	<u>\$ 136,035</u>	<u>\$ -</u>	<u>\$ 4,246,585</u>

# IOWA VALLEY COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 6. Capital Assets (continued)

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Furniture and equipment	\$ 38,776	\$ 30,417	\$ -	\$ 69,193
Less accumulated depreciation	<u>28,076</u>	<u>4,759</u>	<u>-</u>	<u>32,835</u>
Business-type activities capital assets, net	<u>\$ 10,700</u>	<u>\$ 25,658</u>	<u>\$ -</u>	<u>\$ 36,358</u>

Depreciation expense was charged by the District to the following functions:

Governmental activities:

    Instruction:

Regular	\$ 7,531
Other	7,453

    Support services:

Administration	7,898
Operation and maintenance of plant services	1,446
Transportation	<u>26,798</u>
	51,126
Unallocated depreciation	<u>117,021</u>

Total governmental activities depreciation expense	<u>\$ 168,147</u>
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Business-type activities:

Food service operations	<u>\$ 4,759</u>
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# IOWA VALLEY COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2007

### Note 7. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2007 is as follows:

	Early Retirement	General Obligation Bonds	Total
Balance beginning of year	\$ 145,708	\$ 2,735,000	\$ 2,880,708
Additions	-	-	-
Reductions	53,458	155,000	208,458
Balance end of year	<u>\$ 92,250</u>	<u>\$ 2,580,000</u>	<u>\$ 2,672,250</u>
Due within one year	<u>\$ 20,925</u>	<u>\$ 160,000</u>	<u>\$ 180,925</u>

#### Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must qualify for full IPERS retirement benefits and must have completed fifteen years of continuous service to the District. Employees must submit an application requesting early retirement by March 1<sup>st</sup> of the retirement year to be approved by the Board of Education.

The early retirement incentive for each eligible employee is 50% of the employee's present year base salary, excluding extracurricular, Phase II and Phase III monies, and any contract extensions. In addition, the District will offer single health insurance coverage until an individual reaches age 65 at an amount not to exceed \$225 per month.

At June 30, 2007, the District has obligations to 8 participants with a total liability of \$92,250. Actual early retirement expenditures for the year ended June 30, 2007 totaled \$53,458. Early retirement is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements.

# IOWA VALLEY COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2007

### Note 7. Long-Term Liabilities (continued)

#### Bonds Payable

Details of the District's June 30, 2007 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2008	3.00 %	\$ 160,000	\$ 95,465	\$ 255,465
2009	3.00	165,000	90,665	255,665
2010	3.10	170,000	85,715	255,715
2011	3.25	175,000	80,445	255,445
2012	3.45	185,000	74,758	259,758
2013	3.55	190,000	68,375	258,375
2014	3.70	195,000	61,630	256,630
2015	3.80	205,000	54,415	259,415
2016	3.90	210,000	46,625	256,625
2017	4.00	215,000	38,435	253,435
2018	4.10	230,000	29,835	259,835
2019	4.20	235,000	20,405	255,405
2020	4.30	245,000	10,535	255,535
		\$ 2,580,000	\$ 757,303	\$ 3,337,303

### Note 8. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007, 2006, and 2005.

Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2007, 2006, and 2005 were \$197,236, \$195,714, and \$181,769, respectively, equal to the required contributions for each year.

### Note 9. Risk Management

Iowa Valley Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$203,803 for the year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 11. Construction Commitments

The District entered into various contracts totaling \$148,110 for various projects. As of June 30, 2007, costs of \$85,275 had been incurred against the contracts. The balance of \$62,835 remaining at June 30, 2007 will be paid as work on the project progresses.

Note 12. Financial Condition

The District's Major Fund, General Fund had an unreserved, undesignated deficit fund balance of \$812,525 at June 30, 2007. In addition, the District's government activities had an unrestricted net asset deficit of \$409,658 and the District's business-type activities had an unrestricted net asset deficit of \$16,651 at June 30, 2007. Also, the District's Enterprise Funds, School Nutrition Fund and Preschool Fund had deficit unreserved, undesignated net assets of \$5,517 and \$11,134, respectively, at June 30, 2007. .

## Required Supplementary Information

# IOWA VALLEY COMMUNITY SCHOOL DISTRICT

## Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances – Budget and Actual – All Governmental Funds and Proprietary Fund Required Supplementary Information Year Ended June 30, 2007

	Governmental Funds - Actual	Proprietary Fund - Actual	Total Actual	Budgeted Amounts Original and Final	Final to Actual Variance
<b>REVENUES:</b>					
Local sources	\$ 3,278,035	\$ 207,611	\$ 3,485,646	\$ 3,242,977	\$ 242,669
State sources	3,145,971	18,900	3,164,871	3,143,284	21,587
Federal sources	138,600	88,154	226,754	240,000	(13,246)
Total revenues	6,562,606	314,665	6,877,271	6,626,261	251,010
<b>EXPENDITURES:</b>					
Instruction	3,960,891	-	3,960,891	3,781,185	(179,706)
Support services	1,665,807	5,620	1,671,427	1,601,492	(69,935)
Non-instructional programs	4,604	299,345	303,949	277,394	(26,555)
Other expenditures	687,130	-	687,130	999,940	312,810
Total expenditures	6,318,432	304,965	6,623,397	6,660,011	36,614
Excess (deficiency) of revenues over (under) expenditures	244,174	9,700	253,874	(33,750)	287,624
Other financing sources, net	1,050	-	1,050	-	1,050
Excess (deficiency) of revenues and other financing sources over (under) expenditures	245,224	9,700	254,924	(33,750)	288,674
Balance beginning of year	(380,037)	10,007	(370,030)	(35,437)	(334,593)
Balance end of year	\$ <u>(134,813)</u>	\$ <u>19,707</u>	\$ <u>(115,106)</u>	\$ <u>(69,187)</u>	\$ <u>(45,919)</u>

See accompanying independent auditor's report.



IOWA VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2007

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except internal service, private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the accrual basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2007, expenditures in the instruction, support services and non-instructional programs functions exceeded the amounts budgeted.

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## Other Supplementary Information

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2007

	Special Revenue			
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service
Assets				
Cash and pooled investments	\$ 86,993	\$ 125,969	\$ 19,329	\$ 92
Receivables:				
Property tax:				
Current year	4,493	-	1,279	2,393
Succeeding year	184,999	-	52,798	90,865
Income surtaxes	-	-	154,449	-
Interfund receivable	11,134	-	-	-
Accounts	-	300	-	-
Due from other governments	-	-	-	-
Total assets	<u>\$ 287,619</u>	<u>\$ 126,269</u>	<u>\$ 227,855</u>	<u>\$ 93,350</u>
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	\$ 1,415	\$ -	\$ -	\$ -
Deferred revenue:				
Succeeding year property tax	184,999	-	52,798	90,865
Other	-	-	154,449	-
Total liabilities	<u>186,414</u>	<u>-</u>	<u>207,247</u>	<u>90,865</u>
Fund equity:				
Fund balances:				
Reserved for:				
Debt service	-	-	-	2,485
Unreserved:				
Undesignated	101,205	126,269	20,608	-
Total fund equity	<u>101,205</u>	<u>126,269</u>	<u>20,608</u>	<u>2,485</u>
Total liabilities and fund equity	<u>\$ 287,619</u>	<u>\$ 126,269</u>	<u>\$ 227,855</u>	<u>\$ 93,350</u>

See accompanying independent auditor's report.

<u>Capital Projects</u>	<u>Total</u>
\$ 206,536	\$ 438,919
-	8,165
-	328,662
-	154,449
-	11,134
-	300
<u>61,226</u>	<u>61,226</u>
<u>\$ 267,762</u>	<u>\$ 1,002,855</u>

\$ 20,050	\$ 21,465
-	328,662
-	154,449
<u>20,050</u>	<u>504,576</u>

-	2,485
<u>247,712</u>	<u>495,794</u>
<u>247,712</u>	<u>498,279</u>
<u>\$ 267,762</u>	<u>\$ 1,002,855</u>

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
Year Ended June 30, 2007

	Special Revenue			
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service
Revenues:				
Local sources:				
Local tax	\$ 177,116	\$ -	\$ 185,325	\$ 98,358
Other	44,293	194,844	3,734	-
State sources	135	-	38	71
Federal sources	-	-	14,525	-
Total revenues	221,544	194,844	203,622	98,429
Expenditures:				
Current:				
Instruction	105,472	165,134	-	-
Support services:				
Student services	70	-	-	-
Instructional staff services	-	781	-	-
Administration services	12,305	-	200	200
Operation and maintenance of plant services	37,574	-	-	-
Transportation services	9,915	-	-	-
Non instructional programs	4,604	-	-	-
Other expenditures:				
Facilities acquisition	-	-	16,803	-
Long term debt:				
Principal	-	-	-	155,000
Interest and fiscal charges	-	-	-	100,115
Total expenditures	169,940	165,915	17,003	255,315
Excess (deficiency) of revenues over (under) expenditures	51,604	28,929	186,619	(156,886)
Other financing sources (uses):				
Interfund transfers in	-	-	-	157,500
Interfund transfers out	-	-	(157,500)	-
Total other financing sources (uses)	-	-	(157,500)	157,500

<u>Capital Projects</u>		<u>Total</u>	
\$	371,034	\$	831,833
	8,990		251,861
	-		244
	-		14,525
	<u>380,024</u>		<u>1,098,463</u>
	-		270,606
	-		70
	33,475		34,256
	-		12,705
	7,527		45,101
	68,605		78,520
	-		4,604
	211,409		228,212
	-		155,000
	-		100,115
	<u>321,016</u>		<u>929,189</u>
	59,008		169,274
	-		157,500
	-		<u>(157,500)</u>
	<u>-</u>		<u>-</u>

IOWA VALLEY COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 Year Ended June 30, 2007

	Special Revenue			
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service
Net change in fund balances	\$ 51,604	\$ 28,929	\$ 29,119	\$ 614
Fund balances beginning of year	49,601	97,340	(8,511)	1,871
Fund balances end of year	<u>\$ 101,205</u>	<u>\$ 126,269</u>	<u>\$ 20,608</u>	<u>\$ 2,485</u>

See accompanying independent auditor's report.



<u>Capital Projects</u>	<u>Total</u>
\$ 59,008	\$ 169,274
<u>188,704</u>	<u>329,005</u>
<u>\$ 247,712</u>	<u>\$ 498,279</u>

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
Year Ended June 30, 2007

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
AFS Club	\$ 1,628	\$ -	\$ -	\$ 1,628
Ambassadors of Music	-	-	-	-
Annual	22	12,404	7,804	4,622
Band	1,515	6,075	4,542	3,048
Choir - Sunshine Inn	4,030	5,606	4,617	5,019
Class of:				
2001	245	-	245	-
2002	311	-	311	-
2005	(4)	-	(4)	-
2006	(70)	-	(70)	-
2007	482	134	616	-
2008	50	6,697	6,033	714
Dramatics - Senior High/Junior High	2,680	2,115	1,608	3,187
FCS Club	506	250	293	463
FFA	13,929	28,250	26,459	15,720
Fine Arts Special Projects	8,292	18,284	7,376	19,200
Interest Income	9,306	2,573	4,938	6,941
IV Boys BB Camp	1,519	410	1,308	621
IV Girls BB Camp	2,137	2,277	3,997	417
IV FB/Track Camp	235	4,146	3,764	617
IV Softball Camp	1,894	7,157	7,161	1,890
IV Girls VB Camp	1,897	5,192	5,329	1,760
IV Special Events	-	10,330	10,330	-
JH Cheerleaders	132	-	-	132
HS Cheerleaders	(448)	4,795	3,659	688
National Honor Society	20	174	194	-
Pep Club	1,412	2,622	2,294	1,740
Playground Project	373	-	-	373
S.O.A.R.	(921)	921	-	-
Student Council - Elem	1,493	1,239	415	2,317
Student Council - HS	25,401	21,230	17,703	28,928
SICL	-	6,644	3,456	3,188
TAG - Special Project	4	-	-	4
Tiger's Eye	1,905	104	156	1,853
Tiger Pride Videos	473	-	-	473
Spanish Trip	-	7,906	4,341	3,565
Baseball	(3,664)	2,416	(1,248)	-
Basketball - Boys	741	5,068	4,628	1,181
Basketball - Girls	(1,729)	3,950	2,221	-
Football	12,509	13,743	22,350	3,902
Golf - Boys & Girls	(151)	271	120	-

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
Year Ended June 30, 2007

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Softball	\$ (3,753)	\$ 290	\$ (3,463)	\$ -
Track - Boys	6,013	862	786	6,089
Track - Girls	3,048	3,616	5,455	1,209
Volleyball	(949)	3,185	2,236	-
Wrestling	4,827	3,908	3,955	4,780
Total	\$ <u>97,340</u>	\$ <u>194,844</u>	\$ <u>165,915</u>	\$ <u>126,269</u>

See accompanying independent auditor's report.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS  
FOR THE LAST FOUR YEARS

	Modified Accrual Basis Years Ended June 30,			
	2007	2006	2005	2004
Revenues:				
Local sources:				
Local tax	\$ 2,672,973	\$ 2,260,877	\$ 1,999,518	\$ 1,897,254
Tuition	159,160	127,401	133,010	128,868
Other	445,902	347,904	307,765	267,197
State sources	3,145,971	3,140,564	2,906,807	2,877,692
Federal sources	138,600	151,901	154,165	130,142
Total revenues	<u>\$ 6,562,606</u>	<u>\$ 6,028,647</u>	<u>\$ 5,501,265</u>	<u>\$ 5,301,153</u>
Expenditures:				
Instruction	\$ 3,960,891	\$ 3,967,370	\$ 3,685,635	\$ 3,633,763
Support services:				
Student services	198,377	192,850	196,432	187,120
Instructional staff services	144,168	86,402	216,939	176,739
Administration services	658,850	649,443	580,017	554,998
Operation and maintenance of plant services	431,878	436,270	407,681	386,385
Transportation services	232,534	204,699	150,272	157,650
Central and other support services	-	-	-	18,723
Non-instructional programs	4,604	16,078	21,568	2,755
Other expenditures:				
Facilities acquisition	228,212	75,276	5,261	338,121
Long-term debt:				
Principal	155,000	155,000	155,000	125,000
Interest and fiscal charges	100,115	104,765	109,415	140,637
AEA flowthrough	203,803	198,574	189,855	191,905
Total expenditures	<u>\$ 6,318,432</u>	<u>\$ 6,086,727</u>	<u>\$ 5,718,075</u>	<u>\$ 5,913,796</u>

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

To the Board of Education of  
Iowa Valley Community School District:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Iowa Valley Community School District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated December 24, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Iowa Valley Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Iowa Valley Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Iowa Valley Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Iowa Valley Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood a misstatement of Iowa Valley Community School District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Iowa Valley Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-07 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Iowa Valley Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about Iowa Valley Community School District's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Iowa Valley Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Iowa Valley Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Iowa Valley Community School District and other parties to whom Iowa Valley Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Iowa Valley Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa  
December 24, 2007

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2007

Part I: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Significant Deficiencies:

- I-A-07 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the posting of disbursements to the journals, check preparation and the payroll are all done by the same person in the General and Schoolhouse Funds.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, we recommend that the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We will continue to investigate available alternatives as responsibilities change and implement whenever possible. A second individual has handled the posting of the receipts, and check signing areas as well as check preparation in the School Nutrition and Activity Funds in the past years. We hope to increase the extent of the individual's duties in posting of disbursements and check preparation in the General and Special Revenue Funds.

Conclusion – Response accepted.

- I-B-07 Financial Condition – At June 30, 2007, the District's Major Fund, General Fund had an unreserved, undesignated deficit fund balance of \$812,525. In addition, the District's government activities had an unrestricted net assets deficit of \$409,658, the District's business-type activities had deficit unrestricted net assets of \$16,651, and the District's Enterprise Funds, School Nutrition and Preschool had unreserved undesignated deficit net assets of \$5,517 and \$11,134, respectively.

Recommendation – The District should investigate alternatives to eliminate these deficits and return the General fund, governmental activities, business-type activities and enterprise funds to sound conditions and insure that individual student activity accounts are monitored more closely. The General Fund deficit worsened during the year ended June 30, 2007 by \$103,483. The District should control future expenditures to a more sustainable level.

Response – We will investigate alternatives to eliminate these deficits. We will look at current procedures for Student Activity Fund disbursements and decide how best to eliminate these deficit balances. We are currently working with the School Business Review Committee of the Iowa Department of Education to develop ways to bring the District's General Fund back to a healthy financial condition.

Conclusion – Response accepted.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2007

Part I: Findings Related to the Basic Financial Statements (continued):

Significant Deficiencies (continued):

- I-C-07 Fundraising Activities – We noted in our testing of the Special Revenue Fund, Student Activity receipts that the District requires reconciliations for fundraising activities. However, this policy is not always enforced. We were unable to obtain the fundraiser reconciliation for the one club until January, 2008.

Recommendation – The District should enforce procedures for fundraiser approvals and reconciliations of fundraising receipts claimed to deposits and related expenditures. This will ensure accurate record-keeping and help to protect the underlying assets. The District should consider limiting future fundraiser activities for clubs that do not complete a reconciliation of fundraiser activity in a timely manner.

Response – We have spoken to all sponsors and procedures are now in place to address this problem.

Conclusion – Response accepted.

- I-D-07 Support Documentation – We noted one of forty disbursements specifically tested which had inadequate support documentation as to the details behind the disbursement.

Recommendation – The District should require all disbursements be properly supported as to the purpose and details supporting the transactions.

Response – We will consider this suggestion and will require all support documentation be provided and retained.

Conclusion – Response accepted.



# IOWA VALLEY COMMUNITY SCHOOL DISTRICT

## SCHEDULE OF FINDINGS

Year Ended June 30, 2007

### Part II: Other Findings Related to Statutory Reporting:

- II-A-07 Certified Budget – Expenditures for the year ended June 30, 2007, exceeded the amounts budgeted in the instruction, support services and non-instructional programs functions.

Recommendation – The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response – We will amend our budget before expenditures exceed the budget.

Conclusion – Response accepted.

- II-B-07 Questionable Expenditures – No expenditures were noted that we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

- II-C-07 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

- II-D-07 Business Transactions – No business transactions between the District and District officials or employees were noted.

- II-E-07 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

- II-F-07 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

- II-G-07 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

- II-H-07 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.

- II-I-07 Certified Annual Report – The Certified Annual Report was timely certified to the Iowa Department of Education. However, we noted significant deficiencies in the amounts reported.

Recommendation – The District has reported certain funds as Agency Funds to the State. However, these funds would be more properly classified as private-purpose trust funds and have been reclassified as such for financial reporting purposes.

Response – We will consider reclassifying these funds for future reporting to the State of Iowa.

Conclusion – Response accepted.

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